



QUARTERLY STATEMENT

AS OF JUNE 30, 2012
OF THE CONDITION AND AFFAIRS OF THE

CareSource Michigan

NAIC Group Code	3683	3683	NAIC Company Code	95562	Employer's ID Number	38-3252216
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States					
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Hospital, Medical & Dental Service or Indemnity []	
	Dental Service Corporation []		Vision Service Corporation []		Health Maintenance Organization [X]	
	Other []				Is HMO, Federally Qualified? Yes [] No [X]	
Incorporated/Organized	05/24/1995		Commenced Business		08/01/1996	
Statutory Home Office	2900 West Road, Suite 201			East Lansing, MI 48823-6386		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	2900 West Road, Suite 201		East Lansing, MI 48823-6386		517-349-9922	
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)	
Mail Address	2900 West Road, Suite 201		East Lansing, MI 48823-6386			
	(Street and Number or P.O. Box)		(City or Town, State and Zip Code)			
Primary Location of Books and Records	2900 West Road, Suite 201		East Lansing, MI 48823-6386		937-531-2159	
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)	
Internet Web Site Address	www.caresource.com					
Statutory Statement Contact	L Tarlton Thomas III			937-531-2159		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	tarlton.thomas@caresource.com			937-531-2676		
	(E-mail Address)			(FAX Number)		

OFFICERS

Name	Title	Name	Title
L. Tarlton Thomas III	Chief Financial Officer	Craig Thiele M.D.	Chief Medical Officer
Bobby Jones	Chief Operating Officer		

OTHER OFFICERS

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DIRECTORS OR TRUSTEES

Pamela B. Morris	Margaret Marchak	John M. Rockwood	Karen Hamilton
J. Thomas Maultsby	John M. Rockwood		

State of

County of ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Pamela B. Morris Chief Executive Officer	L. Tarlton Thomas, III Chief Financial Officer	Craig Thiele, M.D. Chief Medical Officer
Subscribed and sworn to before me this _____ day of _____,		a. Is this an original filing? Yes [X] No []
_____		b. If no:
		1. State the amendment number _____
		2. Date filed _____
		3. Number of pages attached _____

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	1,007,173		1,007,173	14,360,483
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$ (797,072)), cash equivalents (\$ 22,979,904) and short-term investments (\$ 15,775,146)	37,957,978		37,957,978	21,526,276
6. Contract loans (including \$ premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	0		0	0
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	38,965,151	0	38,965,151	35,886,759
13. Title plants less \$ charged off (for Title insurers only)			0	0
14. Investment income due and accrued	6,783		6,783	167,228
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	148,830		148,830	406,909
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	0		0	75,292
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon			0	0
18.2 Net deferred tax asset			0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software			0	0
21. Furniture and equipment, including health care delivery assets (\$)			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates			0	0
24. Health care (\$ 606,510) and other amounts receivable	748,484	141,974	606,510	581,333
25. Aggregate write-ins for other than invested assets	0	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	39,869,248	141,974	39,727,274	37,117,522
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	39,869,248	141,974	39,727,274	37,117,522
DETAILS OF WRITE-INS				
1101.			0	0
1102.			0	0
1103.			0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501.			0	0
2502.			0	0
2503.			0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$26,911 reinsurance ceded).....	13,882,459		13,882,459	14,867,023
2. Accrued medical incentive pool and bonus amounts	400,538		400,538	390,116
3. Unpaid claims adjustment expenses	205,577		205,577	266,155
4. Aggregate health policy reserves including the liability of \$ for medical loss ratio rebate per the Public Health Service Act			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	1,138,261		1,138,261	437,263
9. General expenses due or accrued	372,260		372,260	251,590
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			0	0
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	442,910		442,910	1,113,279
16. Derivatives.....			0	0
17. Payable for securities			0	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$ unauthorized reinsurers).....			0	0
20. Reinsurance in unauthorized companies			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans			0	0
23. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
24. Total liabilities (Lines 1 to 23).....	16,442,004	0	16,442,004	17,325,427
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
26. Common capital stock	XXX	XXX		0
27. Preferred capital stock	XXX	XXX		0
28. Gross paid in and contributed surplus	XXX	XXX	7,831,735	7,831,735
29. Surplus notes	XXX	XXX		0
30. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	15,453,535	11,960,360
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX		0
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	23,285,270	19,792,095
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	39,727,274	37,117,522
DETAILS OF WRITE-INS				
2301.			0	0
2302.			0	0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0
2501.	XXX	XXX		0
2502.	XXX	XXX		0
2503.	XXX	XXX		0
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	0
3001.	XXX	XXX		0
3002.	XXX	XXX		0
3003.	XXX	XXX		0
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date	Prior Year Ended December 31
	1 Uncovered	2 Total	3 Total	4 Total
1. Member Months.....	XXX	210,051	220,662	430,125
2. Net premium income (including \$ non-health premium income).....	XXX	57,640,922	60,112,827	118,380,431
3. Change in unearned premium reserves and reserve for rate credits	XXX		0	0
4. Fee-for-service (net of \$ medical expenses)	XXX		0	0
5. Risk revenue	XXX		0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0	0
8. Total revenues (Lines 2 to 7)	XXX	57,640,922	60,112,827	118,380,431
Hospital and Medical:				
9. Hospital/medical benefits		33,817,282	38,605,787	73,512,797
10. Other professional services		3,675,816	3,667,178	6,890,134
11. Outside referrals			0	0
12. Emergency room and out-of-area		2,832,745	2,834,840	5,569,599
13. Prescription drugs		7,959,782	6,717,262	13,117,602
14. Aggregate write-ins for other hospital and medical.....	0	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		398,022	432,744	802,992
16. Subtotal (Lines 9 to 15)	0	48,683,648	52,257,811	99,893,125
Less:				
17. Net reinsurance recoveries		(16,710)	248,178	345,673
18. Total hospital and medical (Lines 16 minus 17)	0	48,700,358	52,009,633	99,547,452
19. Non-health claims (net).....			0	0
20. Claims adjustment expenses, including \$ 2,054,588 cost containment expenses.....	0	2,293,495	2,092,261	4,824,215
21. General administrative expenses.....		4,689,031	6,555,813	12,785,720
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....			0	0
23. Total underwriting deductions (Lines 18 through 22)	0	55,682,884	60,657,707	117,157,387
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	1,958,038	(544,880)	1,223,044
25. Net investment income earned		215,447	385,983	763,446
26. Net realized capital gains (losses) less capital gains tax of \$		1,356,650	0	(1,159)
27. Net investment gains (losses) (Lines 25 plus 26)	0	1,572,097	385,983	762,286
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0	0
29. Aggregate write-ins for other income or expenses	0	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	3,530,135	(158,897)	1,985,330
31. Federal and foreign income taxes incurred	XXX		0	0
32. Net income (loss) (Lines 30 minus 31)	XXX	3,530,135	(158,897)	1,985,330
DETAILS OF WRITE-INS				
0601. Quality Assurance Assessment.....	XXX		0	0
0602.	XXX		0	0
0603.	XXX		0	0
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0	0
0701.	XXX		0	0
0702.	XXX		0	0
0703.	XXX		0	0
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0	0
1401.			0	0
1402.			0	0
1403.			0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0	0
2901.			0	0
2902.			0	0
2903.			0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
CAPITAL & SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year.....	19,792,095	21,778,240	21,778,240
34. Net income or (loss) from Line 32	3,530,135	(158,897)	1,985,330
35. Change in valuation basis of aggregate policy and claim reserves		0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		0	0
37. Change in net unrealized foreign exchange capital gain or (loss)		0	0
38. Change in net deferred income tax		0	0
39. Change in nonadmitted assets	(36,960)	70,478	28,525
40. Change in unauthorized reinsurance	0	0	0
41. Change in treasury stock		0	0
42. Change in surplus notes	0	0	0
43. Cumulative effect of changes in accounting principles		0	0
44. Capital Changes:			
44.1 Paid in		0	0
44.2 Transferred from surplus (Stock Dividend)		0	0
44.3 Transferred to surplus		0	0
45. Surplus adjustments:			
45.1 Paid in		0	0
45.2 Transferred to capital (Stock Dividend)	0	0	0
45.3 Transferred from capital		0	0
46. Dividends to stockholders		0	(4,000,000)
47. Aggregate write-ins for gains or (losses) in surplus	0	0	0
48. Net change in capital and surplus (Lines 34 to 47)	3,493,175	(88,419)	(1,986,145)
49. Capital and surplus end of reporting period (Line 33 plus 48)	23,285,270	21,689,820	19,792,095
DETAILS OF WRITE-INS			
4701.		0	0
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0	0

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....	58,405,051	69,002,517	118,872,712
2. Net investment income	377,585	383,449	765,681
3. Miscellaneous income	0	0	0
4. Total (Lines 1 to 3)	58,782,636	69,385,966	119,638,393
5. Benefit and loss related payments	49,466,398	50,913,883	98,680,514
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	7,592,805	8,874,162	17,385,293
8. Dividends paid to policyholders		0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	0	0	0
10. Total (Lines 5 through 9)	57,059,203	59,788,045	116,065,808
11. Net cash from operations (Line 4 minus Line 10)	1,723,433	9,597,921	3,572,586
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	14,708,269	1,791,244	2,321,397
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	14,708,269	1,791,244	2,321,397
13. Cost of investments acquired (long-term only):			
13.1 Bonds	0	1,020,386	1,020,386
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	1,020,386	1,020,386
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	14,708,269	770,858	1,301,011
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0	0
16.5 Dividends to stockholders	0		4,000,000
16.6 Other cash provided (applied).....	0	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	0	0	(4,000,000)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	16,431,702	10,368,778	873,597
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	21,526,276	20,652,679	20,652,679
19.2 End of period (Line 18 plus Line 19.1)	37,957,978	31,021,458	21,526,276

STATEMENT AS OF JUNE 30, 2012 OF THE CareSource Michigan

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10
		2	3							
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year	35,447	.0	.0	.0	.0	.0	.0	481	34,966	.0
2 First Quarter	36,084	.0	.0	.0	.0	.0	.0	515	35,569	.0
3 Second Quarter	34,022	.0	.0	.0	.0	.0	.0	560	33,462	.0
4. Third Quarter .....	.0									
5. Current Year	0									
6 Current Year Member Months	210,051	0	0	0	0	0	0	3,145	206,906	0
Total Member Ambulatory Encounters for Period:										
7. Physician	71,856							971	70,885	
8. Non-Physician	52,565							1,359	51,206	
9. Total	124,421	0	0	0	0	0	0	2,330	122,091	0
10. Hospital Patient Days Incurred	7,624							259	7,365	
11. Number of Inpatient Admissions	2,091							59	2,032	
12. Health Premiums Written (a).....	57,823,326							3,765,359	54,057,967	
13. Life Premiums Direct.....	.0									
14. Property/Casualty Premiums Written .....	.0									
15. Health Premiums Earned	57,823,326							3,765,359	54,057,967	
16. Property/Casualty Premiums Earned .....	.0									
17. Amount Paid for Provision of Health Care Services	49,466,398							2,802,541	46,663,857	
18. Amount Incurred for Provision of Health Care Services	48,683,648							2,857,294	45,826,354	

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$ 3,765,359

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims									
Category	Unpaid Claims	Unpaid Claims	Unpaid Claims	Unpaid Claims	Unpaid Claims	Unpaid Claims	Unpaid Claims	Unpaid Claims	Unpaid Claims
Category 1	100	100	100	100	100	100	100	100	100
Category 2	100	100	100	100	100	100	100	100	100
Category 3	100	100	100	100	100	100	100	100	100
Category 4	100	100	100	100	100	100	100	100	100
Category 5	100	100	100	100	100	100	100	100	100
Category 6	100	100	100	100	100	100	100	100	100
Category 7	100	100	100	100	100	100	100	100	100
Category 8	100	100	100	100	100	100	100	100	100
Category 9	100	100	100	100	100	100	100	100	100
Category 10	100	100	100	100	100	100	100	100	100
Category 11	100	100	100	100	100	100	100	100	100
Category 12	100	100	100	100	100	100	100	100	100
Category 13	100	100	100	100	100	100	100	100	100
Category 14	100	100	100	100	100	100	100	100	100
Category 15	100	100	100	100	100	100	100	100	100
Category 16	100	100	100	100	100	100	100	100	100
Category 17	100	100	100	100	100	100	100	100	100
Category 18	100	100	100	100	100	100	100	100	100
Category 19	100	100	100	100	100	100	100	100	100
Category 20	100	100	100	100	100	100	100	100	100
Category 21	100	100	100	100	100	100	100	100	100
Category 22	100	100	100	100	100	100	100	100	100
Category 23	100	100	100	100	100	100	100	100	100
Category 24	100	100	100	100	100	100	100	100	100
Category 25	100	100	100	100	100	100	100	100	100
Category 26	100	100	100	100	100	100	100	100	100
Category 27	100	100	100	100	100	100	100	100	100
Category 28	100	100	100	100	100	100	100	100	100
Category 29	100	100	100	100	100	100	100	100	100
Category 30	100	100	100	100	100	100	100	100	100
Category 31	100	100	100	100	100	100	100	100	100
Category 32	100	100	100	100	100	100	100	100	100
Category 33	100	100	100	100	100	100	100	100	100
Category 34	100	100	100	100	100	100	100	100	100
Category 35	100	100	100	100	100	100	100	100	100
Category 36	100	100	100	100	100	100	100	100	100
Category 37	100	100	100	100	100	100	100	100	100
Category 38	100	100	100	100	100	100	100	100	100
Category 39	100	100	100	100	100	100	100	100	100
Category 40	100	100	100	100	100	100	100	100	100
Category 41	100	100	100	100					

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UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare	642,095	2,160,446	905,540	355,396	1,547,635	1,537,061
7. Title XIX - Medicaid	11,398,690	35,227,177	5,052,610	7,568,912	16,451,300	13,329,962
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	12,040,785	37,387,623	5,958,150	7,924,308	17,998,935	14,867,023
10. Health care receivables (a)	342,736	6,874	36,242	319,606	378,978	329,142
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts	380,008	7,592	0	400,538	380,008	390,116
13. Totals (Lines 9-10+11+12)	12,078,057	37,388,341	5,921,908	8,005,240	17,999,965	14,927,997

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

NOTES TO FINANCIAL STATEMENTS

1- Summary of Significant Accounting Policies

A. Accounting Practices –

Basis of Presentation –

CareSource Michigan’s (CSM’s) statutory-basis financial statements are presented on the basis of accounting practices prescribed or permitted by the State of Michigan, Office of Financial and Insurance Regulation (“OFIR”). OFIR requires that insurance companies domiciled in the State of Michigan prepare their statutory financial statements in accordance with the NAIC Accounting Practices and Procedures Manual (NAIC AP&P) subject to any deviation prescribed or permitted by OFIR Accounting practices and procedures of the NAIC, as prescribed or permitted by the insurance department of the applicable states of domicile, comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP). No material change has occurred since the Annual 2011 filing.

The accompanying financial statements of CSM have been prepared in conformity with accounting practices prescribed or permitted by the Michigan Office of Financial and Insurance Regulation (OFIR), which practices differ from accounting principles generally accepted in the United States (GAAP). The more significant variances from GAAP are:

Investments: Investments in bonds are reported at amortized cost or fair value based on their National Association of Insurance Commissioners (NAIC) rating; for GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of other comprehensive income for those designated as available-for-sale. Fair value for statutory purposes is based on the price published by the Securities Valuation Office of the NAIC (SVO), if available, whereas fair value for GAAP is based on quoted market prices.

All single class and multiclass mortgage-backed/asset-backed securities (e.g., CMOs) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using either the retrospective or prospective methods. The prospective method is used to determine amortized cost for securities that experience a decline that is deemed to be other-than-temporary. Securities that are in an unrealized loss position that the Company intends to sell or that the Company does not have the intent and ability to hold until recovery are written down to fair value. Securities that are in an unrealized loss position and that the Company has the intent and ability to hold until recovery are written down only to the extent that the present value of expected future cash flows (using the security’s effective yield) is lower than the amortized cost; that is, the Company does not expect to recover the entire amortized cost basis of the security. For GAAP purposes, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, CBO, CDO, CLO, MBS, and ABS securities), other than high credit quality securities, are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the security is written down to fair value. If high credit quality securities are adjusted, the retrospective method is used.

Nonadmitted Assets: Certain assets designated as “nonadmitted,” principally past-due agents’ balances, furniture and equipment, unsecured loans or cash advances to officers or agents, nonbankable checks, trade names and other intangible assets, and other assets not specifically identified as an admitted asset within the NAIC’s *Accounting Practices and Procedures Manual* (NAIC AP&P), are excluded from the accompanying statements of admitted assets, liabilities, and surplus and are charged directly to capital and surplus. In accordance with GAAP, such assets are included in the balance sheet to the extent that those assets are not impaired.

Reinsurance: Unpaid claims liabilities and premiums received in advance ceded to reinsurers have been reported as reductions of the related balances rather than as assets as would be required in accordance with GAAP.

Third-Party Liability: Unpaid claims liabilities and other liabilities due to third parties, such as pharmacy benefit managers, have been reported as reductions of the related balances rather than as assets as would be required in accordance with GAAP.

Statements of Cash Flow: Cash, cash equivalents, and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. In accordance with GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

A reconciliation of capital and surplus of the Company as determined in accordance with NAIC Statutory Accounting Principles (SAP) to amounts determined in accordance with GAAP as of December 31 is as follows:

	2012	2011
Capital and surplus as reported in the accompanying statutory-basis financial statements	\$ 23,285,270	\$ 19,792,095
Non-admitted assets	141,974	105,014
Net assets, GAAP basis	\$ 23,427,244	\$ 19,897,109

B. Use of Estimates in Preparation of the Financial Statements -

The preparation of financial statements in accordance with statutory accounting principles requires management to make estimates and assumptions that affect the reported amount of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy-

Following are accounting policies that materially affect the assets, liabilities, capital and surplus or results of operations.

Investments: Bonds not backed by other loans are principally stated at amortized cost using the interest method. Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities. Realized capital gains and losses are determined using the first in first out method. CSM does not engage in subprime residential lending.

Realized capital gains and losses are determined using the first in first out method. Short term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost. CSM does not engage in subprime residential lending.

Nonadmitted Assets: Certain assets designated as “non-admitted,” principally prepaid expenses, pharmacy rebates, and other assets not specifically identified as admitted assets within the NAIC Accounting Practices and Procedures Manual are excluded from the accompanying Statements of Admitted Assets, Liabilities and Expenses are charged directly to unassigned surplus. In accordance with GAAP, such assets are included in the balance sheet to the extent that those assets are not impaired.

Reinsurance: Unpaid claims liabilities and premiums received in advance ceded to reinsurers have been reported as reductions of the related balances rather than as assets as would be required in accordance with GAAP.

Statements of Cash Flows: Cash, cash equivalents, and short-term investments in the statements of cash flows represent cash balances and investments with initial maturities of one year or less. In accordance with GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

Other than temporary impairments - Management regularly reviews the value of CSM’s investments. If the value of any investment falls below its cost basis, the decline in value is analyzed to determine whether it is another-than-temporary impairment. The decision to record an impairment loss incorporates both quantitative criteria and qualitative information. The Company considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c) the intent and ability of CSM to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments and (e) general market conditions and industry or sector specific factors.

NOTES TO FINANCIAL STATEMENTS

Cash, Cash Equivalents, and Short-Term Investments - The fair values of cash, cash equivalents, and short-term investments are based on quoted market prices.

Pharmacy Rebate Receivable- Pharmacy rebates are attained based on agreements between CSM and a third party administrator for prescription drugs. Pharmacy rebates are admitted if accrued or invoiced within 90 days of the reporting period. Pharmacy rebates are non-admitted if invoiced over 90 days prior to the reporting period.

Claims and Claim Adjustment Expenses - Claims unpaid and unpaid claims adjustment expense liabilities represent management’s best estimate of the ultimate net cost of all reported and unreported claims incurred through June 2012. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Premium Revenue - Substantially all of CSM’s premiums earned (95%) are related to a contract with the Michigan Department of Community Health. The contract was effective October 1, 2009 for three years with three additional one year options. Cancellations or nonrenewal of these contracts would affect operating results adversely. Premiums are due monthly and are recognized as revenue in the period in which CSM is obligated to provide services to its members. Premiums received in advance are recorded as unearned premium revenue. In accordance with Statement of Statutory Accounting Principle (SSAP) No. 61, Life, Deposit-Type and Accident Health Reinsurance, payments to a reinsurance carrier for a stop-loss arrangement are deducted from premiums earned.

Hospital and Medical Cost - CSM contracts with various health care providers for the provision of certain health care services to its members. Participating physicians and hospitals are paid contractually established rates for services to members. The cost of health care services provided or contracted for is accrued in the period in which it is provided to a member, based in part, on estimates. Estimated liabilities for health care services provided to members of CSM include claims reported and estimates (based upon historical experience) of health care services incurred but not reported (IBNR). These estimates are periodically reviewed and are adjusted in accordance with the latest available information in that period in which the information becomes available.

Reinsurance - Certain premiums and benefits are ceded to another insurance company under a reinsurance agreement. The ceded reinsurance agreement provides CSM with increased capacity to write larger risks and maintain its exposure to loss within its capital resources. CSM remains obligated for amounts ceded in the event that the reinsurer does not meet their obligations.

	2012		2011	
	Written	Earned	Written	Earned
Direct premiums	\$57,823,326	\$57,823,326	\$60,290,213	\$60,290,213
Ceded premiums				
Non-affiliates	(182,404)	(182,404)	(177,386)	(177,386)
Net premiums	\$57,640,922	\$57,640,922	\$60,112,827	\$60,112,827

Neither CS nor any of its related parties control, directly or indirectly, any reinsurer with whom CSM conducts business. CSM does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel the agreement.

2. **Accounting Changes and Correction of Errors** – None

3. **Business Combinations and Goodwill** –
- A. Statutory Purchase – Not Applicable
 - B. Statutory Merger – Not Applicable
 - C. Assumption Reinsurance – Not Applicable
 - D. Impairment Loss – Not Applicable

4. **Discontinued Operations** - None

5. **Investments**
- A. Mortgage Loans - None
 - B. Debt Restructuring - None
 - C. Reverse Mortgage - None
 - D. Loan-Backed Securities: 1 – 5

CSM investment in two GNMA bonds totaled \$0 as of June 30, 2012. These bonds were sold April 17, 2012 . The company did not have any such securities as of January 1, 1994 therefore the retrospective adjustment method did not apply. Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker/ dealer survey values. In 2012, the Company did not change from the retrospective methodology to prospective methodology because no negative yields were identified.

- E. Repurchase Agreements and/or Security Lending Transactions –1 -5 .
Effective June 30, 2010, Fifth Third Bank and Huntington Bank discontinued its participation in the “special” FDIC Insurance Program that provided us with 100% FDIC coverage on all deposits. The limit effective 7/1/10 will be \$250,000. Independent Bank continued its participation in the program. The company is now using a sweep program with Fifth Third and Huntington Banks that invest in Repurchase Agreements that are secured by a pledge of Fifth Third’s government securities portfolio. These investments mature daily and are therefore listed as short term.

- F. Real Estate – 1-5 Not Applicable

- G. Investment in low income housing tax credits (LIHTC) – 1- 5 Not Applicable

6. **Joint Ventures, Partnerships and Limited Liability Companies** – A –B None

7. **Investment Income** –
Interest income earned through June 30, 2012 is accrued in the accompanying financial statements.

8. **Derivative Instruments** – A-F Not Applicable

9. **Income Taxes** – A-F
CSM has been recognized by the Internal Revenue Service as an organization described in Internal Revenue Code Section 501(c)(3), and as such, is treated as exempt from federal income taxes.

10. **Information Concerning Parent, Subsidiaries and Affiliates A-F**
Effective January 1, 2009, CSM, CareSource Management Services, Inc. (CSMS) and CareSource Management Group Company (CSMG) entered into a long term management agreement, which requires CSM, CSMS and CSMG to provide services and resources to each other at actual cost. The initial term of the agreement is 15 years and shall be terminable only for cause, except that CSM may terminate this agreement without cause at any time for any reason upon one year written notice. The agreement includes a cost sharing agreement, which outlines the allocation of costs for shared resources and direct costs between CSM, CSMS and CSMG. Costs are allocated in accordance with SSAP No. 70, Allocation of Expenses.

NOTES TO FINANCIAL STATEMENTS

The Company's management agreement was modified to amend the payment structure for reimbursement of costs between CSM, CSMS and CSMG. The amended and related management agreement was submitted to OFIR and notice to not disapprove was received on June 30, 2011.

As of January 1, 2009, the name of CSMG changed to CareSource Management Services, Inc. (CSMS). The entity remains a for profit management services entity. As of January 1, 2009, CSM's Parent company, CareSource USA Holding Co. changed its name to CareSource Management Group Company (CSMG). The entity remains a not for profit holding company entity.

The Company accrued management fees \$4,820,241 to CareSource Management Group and CareSource Management Services during 2012.

As of June 30, 2012, CSM owed CareSource Management Group \$442,910 for employee compensation and other administrative expenses incurred by the related party on behalf of CSM.

11. Debt – A-B Not Applicable

12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Other Post Retirement Benefit Plans and Compensated Absences and Other Postretirement Benefit Plans A-F None

13. Capital and Surplus, Shareholders' Distribution Restrictions and Quasi-Reorganizations

Distribution restrictions – Without prior approval of its domiciliary commissioner, distributions to member organizations are limited by the laws of the Company's state of incorporation, Michigan and are limited to 10% of surplus or prior year net income.

Dividend or distributions paid – On July 18, 2012, an OFIR approved payment of an extraordinary dividend of \$14,500,0000, which occurred on July 31, 2012.

14. Contingencies

A. Contingent Commitments – None

B. Assessments - None

C. Gain Contingencies - None

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits – None

E. All Other Contingencies

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time.

Penalties associated with violations of these laws and regulations include significant fines and penalties, exclusion from participating in publicly-funded programs, and the repayment of previously billed and collected revenues.

From time to time we are involved in legal actions in the ordinary course of business, some of which seek monetary damages. Some lawsuits and claims are covered by insurance and others are not. The outcome of such legal actions is inherently uncertain. Nevertheless, we believe that these actions, when finally concluded and determined, are not likely to have a material adverse effect on our financial position, results of operations, or cash flows.

15. Leases A-B

The monthly rental for the principal office location of the CSM is the financial responsibility of the CareSource Management Group per the administrative services agreement.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial instruments With Concentrations of Credit Risk – No such instruments.

17. Sale, Transfer and Servicing of Financial Assets and extinguishments of Liabilities A-C None

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO plans – N/A

B. ASC plans – N/A

C. Medicare or similarly structured cost based reimbursed contracts

1.

a. Revenue from the Company's Medicare (or similarly structured cost based reimbursement contract) contract for the year 2012 consisted of \$3,161,605 for medical and hospital related services and \$585,799 for administrative expenses.

b. As of June 30, 2012, the Company has recorded no receivables from payors whose account balances are greater than 10% of the Company's amounts receivable from uninsured accident and health plans or \$10,000:

c. In connection with the Company's Medicare (or similarly structured cost based reimbursement contract) contract, the Company has recorded no allowances and no reserves for adjustment of recorded revenues at June 30, 2012.

d. The Company has made no adjustment to revenue resulting from audit receivables related to revenues recorded in the prior period.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrator – A-F Not Applicable

20. Fair Value Measurements

CareSource utilizes a Fifth Third Bank tool called Portfolio Pro for security pricing. That tool uses Reuters and FT Interactive for security pricing and all are classified as Level 2.

21. Other Items

A. Extraordinary items – None

B. Troubled debt restructuring: Debtors - None

C. Other Disclosures - None

D. Uncollected premiums - None

E. Business interruption insurance recoveries - None

F. State transferable tax credits - None

G. Subprime mortgage related risk – None

H. Retained Assets - None

22. Events subsequent

A. Type I – Recognized Subsequent Events - None

B. Type II – On August 1, 2012, per OFIR approval, CareSource Michigan was acquired by McLaren Health Plan. The transaction was settled on August 1, 2012 for a selling price based on statutory surplus. CareSource Management Group will be responsible for claims runout for a period up to and including 24 months for all activity incurred on or prior to July 31, 2012. CSM deposited funds into an imprest account for the settlement of future claims.

23. Reinsurance

A. Ceded Reinsurance Report.

Section 1. General Interrogatories

1. No

2. No

Section 2 Ceded Reinsurance Report - Part A

NOTES TO FINANCIAL STATEMENTS

1. No
2. No
- Section 3 Ceded Reinsurance Report - Part B
1. \$182,404
2. No
- B. Uncollectable Reinsurance – None
- C. Commutation of Ceded Reinsurance - None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination A-D Not Applicable

25. Change in Incurred Claims and Claims Adjustment Expenses
Reserves for incurred claims attributable to insured events of prior years are \$9.5 million at June 30, 2012, after payments in 2012 of \$12.1 million. The reserve at December 31, 2011 was \$14.9 million, therefore, there has been a \$6.7 million unfavorable prior-year development. This increase was the result of ongoing analysis of loss development trends.

26. Intercompany Pooling Arrangements – A-G Not Applicable

27. Structured Settlements - Not Applicable

28. Health Care Receivables

- A. CSM recorded \$270,305 pharmacy rebates receivable at June 30, 2012 and collected \$262,252 for rebates related to 2011. Pharmacy rebates are netted with pharmacy expense.

Column 1 Quarter	Column 2 Estimated Pharmacy Rebates As Reported on Financial Statements	Column 3 Pharmacy Rebates as billed or Otherwise Confirmed	Column 4 Actual Rebates Received within 90 days of Billing	Column 5 Actual Rebates Received Within 91 to 180 days of Billing	Column 6 Actual Rebates Received More than 180 days of Billing
06/30/12	\$ 128,332	\$0	\$0	\$0	\$0
03/31/12	62,960	10,328	10,328	0	0
12/31/11	65,156	62,350	62,350	0	0
09/30/11	97,862	113,514	113,514	0	0
06/30/11	84,424	98,235	91,085	0	7,150
03/31/11	43,801	90,357	84,106	0	6,251
12/31/10	56,775	119,724	86,078	33,646	0
09/30/10	0	145,316	64,065	29,046	52,205
06/30/10	78,319	128,976	67,089	59,959	31,928
03/31/10	237,914	205,962	80,388	87,044	38,530
12/31/09	254,316	299,140	41,600	257,540	0
09/30/09	236,025	310,429	35,059	271,951	3,419
06/30/09	251,440	263,052	61,642	197,457	3,953

- B. Risk Sharing – None

29. Participating Policies A-D None

30. Premium Deficiency Reserves - Not deemed necessary

31. Anticipated Salvage and Subrogation - Subrogation recoveries totaled \$26,465 for the period ended June 30, 2012.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes ☐ No ☒
- 1.2

If yes, has the report been filed with the domiciliary state?

Yes ☐ No ☐
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:
3.

Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes ☐ No ☒
- If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 4.2

If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?

Yes ☐ No ☒ NA ☐
- If yes, attach an explanation.
- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2008
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2008
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

02/11/2010
- 6.4

By what department or departments?

State of Michigan, Office of Financial and Insurance Regulation
- 6.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☒ No ☐ NA ☐
- 6.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ NA ☐
- 7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 7.2

If yes, give full information:
- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ☐ No ☒
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes ☐ No ☒
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

GENERAL INTERROGATORIES

9.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

Yes [X] No []

9.11

If the response to 9.1 is No, please explain:
.....

9.2

Has the code of ethics for senior managers been amended?

Yes [] No [X]

9.21

If the response to 9.2 is Yes, provide information related to amendment(s).
.....

9.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]

9.31

If the response to 9.3 is Yes, provide the nature of any waiver(s).
.....

FINANCIAL

10.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?.....

Yes [] No [X]

10.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:.....\$

INVESTMENT

11.1

Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes [] No [X]

11.2

If yes, give full and complete information relating thereto:
.....

12.

Amount of real estate and mortgages held in other invested assets in Schedule BA:\$0

13.

Amount of real estate and mortgages held in short-term investments:\$0

14.1

Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes [] No [X]

14.2

If yes, please complete the following:

	1	2
	Prior Year-End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$	\$
14.24 Short-Term Investments	\$	\$
14.25 Mortgage Loans on Real Estate	\$	\$
14.26 All Other	\$	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$0	\$0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$	\$

15.1

Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes [] No [X]

15.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [] No []

If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes [X] No []

16.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1	2
Name of Custodian(s)	Custodian Address
Fifth Third Bank.....	111 Lyon St. NW. Grand Rapids MI 49503.....

16.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes [] No [X]

16.4 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address

17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed?

Yes [X] No []

17.2 If no, list exceptions:

.....

GENERAL INTERROGATORIES
PART 2 - HEALTH

1 Operating Percentages	
1.1 A&H loss percent.....	88.1 %
1.2 A&H cost containment percent	3.6 %
1.3 A&H expense percent excluding cost containment expenses.....	84.5 %
2.1 Do you act as a custodian for health savings accounts?.....	Yes [] No [X]
2.2 If yes, please provide the amount of custodial funds held as of the reporting date.....	\$
2.3 Do you act as an administrator for health savings accounts?.....	Yes [] No [X]
2.4 If yes, please provide the balance of the funds administered as of the reporting date.....	\$

STATEMENT AS OF JUNE 30, 2012 OF THE CareSource Michigan

SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

[illegible]

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories									
States, Etc.	1	Direct Business Only							
		2	3	4	5	6	7	8	9
	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N						0	
2. Alaska	AK	N						0	
3. Arizona	AZ	N						0	
4. Arkansas	AR	N						0	
5. California	CA	N						0	
6. Colorado	CO	N						0	
7. Connecticut	CT	N						0	
8. Delaware	DE	N						0	
9. Dist. Columbia	DC	N						0	
10. Florida	FL	N						0	
11. Georgia	GA	N						0	
12. Hawaii	HI	N						0	
13. Idaho	ID	N						0	
14. Illinois	IL	N						0	
15. Indiana	IN	N						0	
16. Iowa	IA	N						0	
17. Kansas	KS	N						0	
18. Kentucky	KY	N						0	
19. Louisiana	LA	N						0	
20. Maine	ME	N						0	
21. Maryland	MD	N						0	
22. Massachusetts	MA	N						0	
23. Michigan	MI	L	3,765,359	54,057,967				57,823,326	
24. Minnesota	MN	N						0	
25. Mississippi	MS	N						0	
26. Missouri	MO	N						0	
27. Montana	MT	N						0	
28. Nebraska	NE	N						0	
29. Nevada	NV	N						0	
30. New Hampshire	NH	N						0	
31. New Jersey	NJ	N						0	
32. New Mexico	NM	N						0	
33. New York	NY	N						0	
34. North Carolina	NC	N						0	
35. North Dakota	ND	N						0	
36. Ohio	OH	N						0	
37. Oklahoma	OK	N						0	
38. Oregon	OR	N						0	
39. Pennsylvania	PA	N						0	
40. Rhode Island	RI	N						0	
41. South Carolina	SC	N						0	
42. South Dakota	SD	N						0	
43. Tennessee	TN	N						0	
44. Texas	TX	N						0	
45. Utah	UT	N						0	
46. Vermont	VT	N						0	
47. Virginia	VA	N						0	
48. Washington	WA	N						0	
49. West Virginia	WV	N						0	
50. Wisconsin	WI	N						0	
51. Wyoming	WY	N						0	
52. American Samoa	AS	N						0	
53. Guam	GU	N						0	
54. Puerto Rico	PR	N						0	
55. U.S. Virgin Islands	VI	N						0	
56. Northern Mariana Islands	MP	N						0	
57. Canada	CN	N						0	
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0	0
59. Subtotal	XXX	0	3,765,359	54,057,967	0	0	0	57,823,326	0
60. Reporting entity contributions for Employee Benefit Plans	XXX							0	
61. Total (Direct Business)	(a) 1	0	3,765,359	54,057,967	0	0	0	57,823,326	0
DETAILS OF WRITE-INS									
5801.	XXX							0	
5802.	XXX							0	
5803.	XXX							0	
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

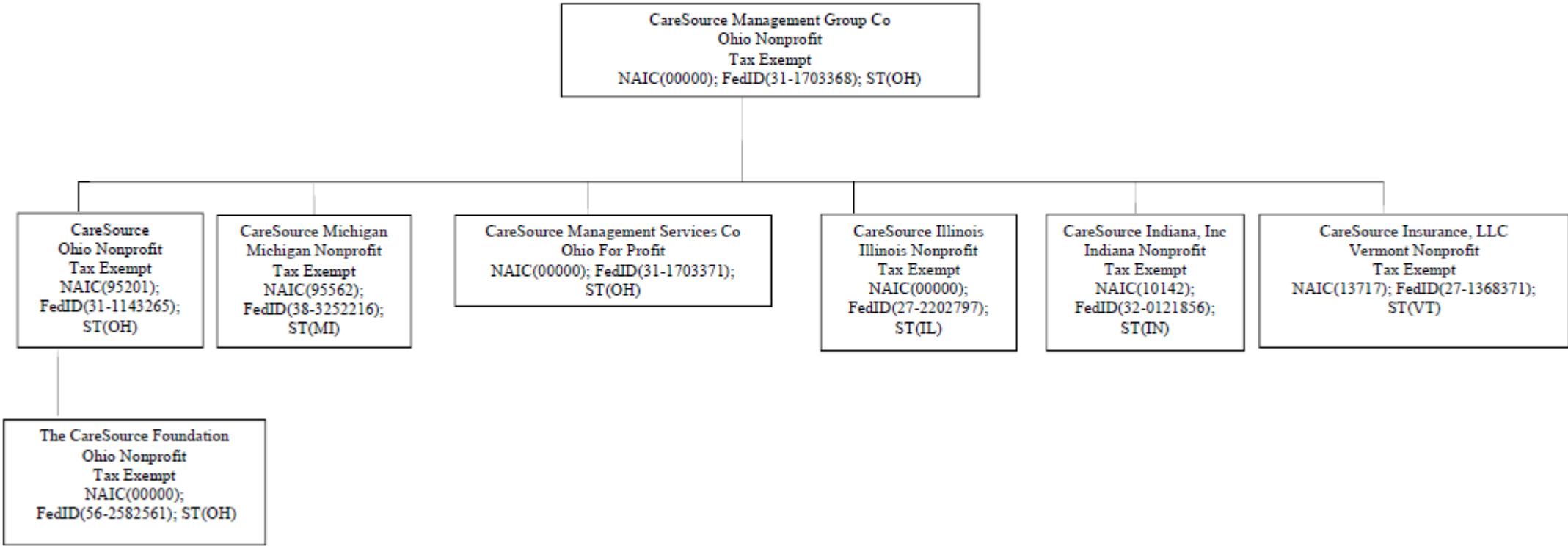
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and other Alien.

All Premiums written in the State of Michigan

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

CareSource Family of Companies
Corporate Structure



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[illegible]

Asterisk	Explanation
	The CareSource Management Group Co. controls CareSource Michigan, the reporting entity as well as CareSource Indiana, CareSource Management Services Co., and CareSource Insurance LLC. The CareSource Management Group Co. Board of Trustees controls CareSource Management Group Co. and CareSource. The CareSource Board of Trustees controls the CareSource Foundation.

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

.....SEE EXPLANATION.....

Explanation:

1. 1. Coverage is provided through the Medicare Advantage Program.

Bar Code:

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A – VERIFICATION

Real Estate

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	.0	.0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		.0
2.2 Additional investment made after acquisition .....		.0
3. Current year change in encumbrances .....		.0
4. Total gain (loss) on disposals .....		.0
5. Deduct amounts received on disposals .....		.0
6. Total foreign exchange change in book/adjusted carrying value .....		.0
7. Deduct current year's other than temporary impairment recognized .....		.0
8. Deduct current year's depreciation .....		.0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8) .....	.0	.0
10. Deduct total nonadmitted amounts .....	.0	.0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1	2
	Year To Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year .....	.0	.0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		.0
2.2 Additional investment made after acquisition .....		.0
3. Capitalized deferred interest and other .....		.0
4. Accrual of discount .....		.0
5. Unrealized valuation increase (decrease) .....		.0
6. Total gain (loss) on disposals .....		.0
7. Deduct amounts received on disposals .....		.0
8. Deduct amortization of premium and mortgage interest points and commitment fees .....		.0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest .....		.0
10. Deduct current year's other than temporary impairment recognized .....		.0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....	.0	.0
12. Total valuation allowance .....		.0
13. Subtotal (Line 11 plus Line 12) .....	.0	.0
14. Deduct total nonadmitted amounts .....	.0	.0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	.0	.0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		.0
2.2 Additional investment made after acquisition .....		.0
3. Capitalized deferred interest and other .....		.0
4. Accrual of discount .....		.0
5. Unrealized valuation increase (decrease) .....		.0
6. Total gain (loss) on disposals .....		.0
7. Deduct amounts received on disposals .....		.0
8. Deduct amortization of premium and depreciation .....		.0
9. Total foreign exchange change in book/adjusted carrying value .....		.0
10. Deduct current year's other than temporary impairment recognized .....		.0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....	.0	.0
12. Deduct total nonadmitted amounts .....	.0	.0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	14,360,483	15,645,715
2. Cost of bonds and stocks acquired		1,020,386
3. Accrual of discount	12,131	60,322
4. Unrealized valuation increase (decrease) .....		.0
5. Total gain (loss) on disposals	1,356,650	(1,159)
6. Deduct consideration for bonds and stocks disposed of	14,708,269	2,321,397
7. Deduct amortization of premium	13,822	43,383
8. Total foreign exchange change in book/adjusted carrying value .....		.0
9. Deduct current year's other than temporary impairment recognized .....		.0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	1,007,173	14,360,483
11. Deduct total nonadmitted amounts .....	.0	.0
12. Statement value at end of current period (Line 10 minus Line 11)	1,007,173	14,360,483

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a).....	10,393,865		10,948,684	1,074,644	10,393,865	519,826	.0	11,402,149
2. Class 2 (a).....	2,958,335		2,749,875	278,888	2,958,335	487,347	.0	2,958,335
3. Class 3 (a).....	.0				.0	.0	.0	.0
4. Class 4 (a).....	.0				.0	.0	.0	.0
5. Class 5 (a).....	.0				.0	.0	.0	.0
6. Class 6 (a).....	0				0	0	0	0
7. Total Bonds	13,352,200	0	13,698,559	1,353,531	13,352,200	1,007,173	0	14,360,483
PREFERRED STOCK								
8. Class 1 .....	.0				.0	.0	.0	.0
9. Class 2 .....	.0				.0	.0	.0	.0
10. Class 3 .....	.0				.0	.0	.0	.0
11. Class 4 .....	.0				.0	.0	.0	.0
12. Class 5 .....	.0				.0	.0	.0	.0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	13,352,200	0	13,698,559	1,353,531	13,352,200	1,007,173	0	14,360,483

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$; NAIC 2 \$;

NAIC 3 \$; NAIC 4 \$; NAIC 5 \$; NAIC 6 \$

SCHEDULE DA - PART 1
Short-Term Investments

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
9199999	15,775,146	XXX	15,775,146	2,150	0

SCHEDULE DA - VERIFICATION
Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	689,250	9,518,007
2. Cost of short-term investments acquired	15,775,146	1,864,515
3. Accrual of discount		0
4. Unrealized valuation increase (decrease).....		0
5. Total gain (loss) on disposals		0
6. Deduct consideration received on disposals	689,250	10,693,272
7. Deduct amortization of premium.....		0
8. Total foreign exchange change in book/adjusted carrying value.....		0
9. Deduct current year's other than temporary impairment recognized.....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	15,775,146	689,250
11. Deduct total nonadmitted amounts.....		0
12. Statement value at end of current period (Line 10 minus Line 11)	15,775,146	689,250

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E - VERIFICATION
(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	21,371,037	11,917,112
2. Cost of cash equivalents acquired	1,608,867	9,453,925
3. Accrual of discount		0
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals.....		0
6. Deduct consideration received on disposals		0
7. Deduct amortization of premium		0
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other than temporary impairment recognized		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	22,979,904	21,371,037
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	22,979,904	21,371,037

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

Schedule D - Part 3

NONE

E05

E05

E05

E05

E05

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

STATEMENT AS OF JUNE 30, 2012 OF THE CareSource Michigan

SCHEDULE E - PART 1 - CASH

[illegible]

SCHEDULE E - PART 2 - CASH EQUIVALENTS

[illegible]